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Chip industry may have hit 'local bottom,' says VC

[Dylan McGrath](#)

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SAN JOSE, Calif.—With chip inventories at record lows, the semiconductor industry may have it at least a "local bottom," according to venture capitalist Dave Epstein.

Systems manufacturers will have to replenish inventories—which will boost sales for chip vendors—although the industry may slide downward again, Epstein said Wednesday (April 1) during a panel discussion at the Embedded Systems Conference Silicon Valley here.

Microchip Technology Inc. CEO Steve Sanghi said companies cut inventories after the financial crisis hit, resulting in shipments from semiconductor companies falling to levels much lower than actual demand.

Sanghi said the result will be "some sort of growth" in semiconductors in the second or third quarter of this year.

"After that it will take a lot of hard work to achieve sustainable growth," Sanghi said.

Epstein, a former partner at Crosslink Capital, said VC investment in the semiconductor industry may take years to recover and will depend on the stock market returning to health and other factors.

Earlier this month, Jim Feldhan, president of Semico Research Corp., predicted that lean inventories across the supply chain could [jump-start a rapid recovery](#) when the economy finally starts to improve.

Though no one is necessary declaring a recovery in ICs, there are some positive signs. For example, business is indeed improving at some silicon foundries, such as Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) and United Microelectronics Corp. (UMC).

An analyst [said earlier this week that rush orders](#), rising wafer starts and utilization rates, as well extended visibility bode well for the industry.

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